

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1146 - SB 1856

April 1, 2011

SUMMARY OF BILL: Requires the Commissioner of Finance and Administration to seek a federal waiver or waiver amendment to the TennCare program, by January 1, 2012, requiring adult enrollees to utilize clinics associated with the local health departments as the exclusive provider of primary care before seeking care at a hospital-based emergency room for non-emergent care or specialist care. Clinics shall be available in the county of the enrollee's residence or in the region governed by any joint district health department which contains that county. Public colleges of medicine or medical schools in each grand division shall enter into agreements with local health departments to provide additional resources and health care providers to the local health departments for providing enhanced services. Directs the Bureau of TennCare to require each managed care organization to contract on or before January 1, 2012, with all local health departments that maintain clinics. Requires TennCare to provide grants and other financial assistance to local health departments for initiating or operating clinics that provide adult primary care service. Requires appropriations from non-recurring costs to be made from TennCare program reserves.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$240,269,700/One-Time/TennCare Reserves
\$39,595,300/One-Time/General Fund
Exceeds \$192,418,300/Recurring/General Fund**

Increase Federal Expenditures – Exceeds \$104,046,400

Assumptions:

- Currently there are 51 rural county primary care clinics that provide care for the uninsured through the safety net. With the expansion of the local health department clinics, the population of uninsured individuals receiving care will also increase.
- According to the Department of Health, the rural health departments will need to expand and create primary care facilities in order to accommodate the additional patients that will be seeking care. It is estimated that approximately 270,331 additional TennCare enrollees and 108,302 uninsured individuals will seek care at the rural local departments.
- The Department estimates 615,238 additional square feet at a costs of \$225 per square foot will result in an increase in one-time expenditures of \$138,428,550 [(439,259 x \$225 TennCare) + (175,979 x \$225 uninsured)].

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- The Department based increased staffing costs on the increased number of relative value units (RVUs) for the increased patients. It is estimated that of the new patients, there will be a total of approximately 917,027 encounters with 2.7 RVUs each resulting in a total increase in RVUs of 2,475,973. Each RVU is estimated to cost \$53.07 resulting in a total increase in staffing costs for the rural health departments of \$131,399,887 $[(1,767,760 \times \$53.07 \text{ TennCare}) + (708,213 \times \$53.07 \text{ uninsured})]$.
- Additional one-time costs for upgrades and replacements to the Patient Tracking and Billing Management System (PTBMIS) at each department of \$50,000,000 and for equipment of \$11,475,000.
- The Department applied similar methodology to calculate the increased costs to the metropolitan area health departments. It is estimated that one-time costs for increased space will be \$55,371,400 and PTBMIS upgrades and other equipment will be \$24,590,000.
- It is estimated that of the new patients in the metropolitan clinics, there will be a total of 1,151,971 encounters each averaging 2.7 RVUs resulting in a total increase in RVUs of 3,110,322. Each RVU is estimated to cost \$53.07 resulting in a total increase in staffing costs for the rural health departments of \$165,064,788 $[(1,192,320 \times \$53.07 \text{ TennCare}) + (1,918,002 \times \$53.07 \text{ uninsured})]$.
- The bill requires the Bureau of TennCare to pay for all non-recurring costs to be provided from TennCare reserves. It is assumed that only the non-recurring costs that will be used to provide care for TennCare enrollees will be paid for through TennCare reserve funds. The total one-time funds out of TennCare reserves will be \$240,269,675 $(\$98,833,275 + \$50,000,000 + \$11,475,000 + \$55,371,400 + \$24,590,000)$.
- The one-time increase in state funds will be \$39,595,275.
- The recurring increase in TennCare expenditures will be \$157,091,445 $(\$93,815,023 + \$63,276,422)$. If the federal government approves the waiver request, the care provided for TennCare enrollees will receive federal matching funds. Of the total increase, \$53,045,068 will be state funds at a rate of 33.767 percent and \$104,046,377 will be federal funds at a 66.233 match rate.
- The recurring increase in state expenditures for uninsured care will be \$139,373,230 $(\$37,584,864 + \$101,788,366)$.
- The bill requires that all TennCare MCOs contract with the local health departments to provide care. According to the Bureau of TennCare, MCOs will lose their ability to negotiate rates and control utilization. It is assumed that total expenditures will exceed the estimated recurring expenditures to account for these control issues being lost.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/kml